ORGANISATIONAL BEHAVIOUR AND ANALYSIS:
The Doughnut Model and Learning Organisations

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Introduction

This paper looks at various factors which have been responsible for putting pressure on the stability of an organisation, and some organisational models which have evolved in recent decades in response to these pressures. As a case study, the high staff turnover which is currently taking place at Cambridge Cable is looked into.

The Changing Organisation

Changes in the economy, social changes in society, globalisation of markets, and other changes in the environments in which organisations have to operate have resulted in significant changes in internal structure and behaviour of organisations. In the last few decades, the general situation within an organisation and the surroundings in which it has to survive have become increasingly volatile and unpredictable. The people in them have had to cope with what is termed open ended change, changes way beyond the types of changes that they have been used to.
Significant influences that have affected organisations and their environments are the high rate of technological advancement, increasing competition, high levels of unemployment and the extension of the hours of business, in many cases to 24 hours seven days a week. There has been changes in employment patterns, for example the staff within an organisation change far more often than was the case in the past.

Technological Advancement

Advances, especially in the field of electronics, have had numerous influences in the commercial arena. This has had most effect in the increasing application of computers in many different aspects of operation, and in methods of communication.
The use of computers has rapidly spread to almost all types of department, making some level of computer literacy essential for a large proportion of jobs. Computers have traditionally been a technological development that has had widespread distrust, fear and misunderstanding among the general public. The past ten years has seen this rapid deployment of computer technology into all these fields where it was never used before, and certainly would not have been expected to be applied to these tasks by the people who were working in these areas. People who have not managed to overcome these older negative attitudes to computers are certainly put at a disadvantage.
The use of the fax machine, and electronic mail, has greatly reduced the time scales involved in communicating with others external to the organisation. In the past, when a letter sent via the normal mail system may have been used as the method of communication when involved in some sort of negotiation, now the fax is likely to be used. On receiving a fax, the person responsible for making some decision, and responding, is expected to make the decision and reply by returning a fax in a time span of minutes or hours. Using ordinary mail, a letter was written, and in many cases sat waiting overnight before it was processed for sending off in the mail. This overnight period allowed consideration to be given to the decision. If after some thought into the matter, the next day the decision was considered to be a bad one, the letter could be torn up, revised and then be sent off. In the fax case, the decision is made, the response sent off immediately, and it is on to the next matter at hand. This extreme time pressure put on making decisions by the rapid

modes of communication have the undesirable effect of allowing bad decisions to become more likely, since they are being made too quickly, with no time for proper consideration.

Globalisation

The globalisation of markets has put pressure on organisations. An organisation expanding into new locations has to face new and unexpected problems caused by the differences in culture, standards and accepted practices.
Globalisation, as well as introducing new opportunities, has led to increased competition from many different angles. In many advanced countries, local industries are having their existence threatened by cheaper imports. Trying to mix two completely different economic standards causes problems. A factory in a first world country, for example making clothes, employing people at a decent wage, really cannot compete in terms of cost effectiveness with one in a third world country producing a similar product using twelve year old slaves as labour. What we need to consider is do we want to buy these products that are so much cheaper, at the expense of the jobs of the people who could be making them in our own countries? The price of the product is going to be higher, but are we not going to be doing far more than just saving money in the long term? We would be paying less in taxes, and having an overall higher standard of living for everyone due to the lower levels of unemployment.

Changes in Employment Patterns

The idea of a job for life is no longer the common case that it used to be. Job-hopping did not used to be an acceptable thing, now few people stay in the same organisation for a large number of years. This has the advantage that they have the opportunity to gain experience of different environments and practices. One disadvantage is that a new employee, even if very good at the job, will take a while before they get up to speed at it. During this learning period, they are not as productive as an experienced individual. When someone leaves, they take with them their knowledge about their job which has been built up over the time in the position. This knowledge is then lost to the organisation, and knowledge is increasingly becoming a more important asset within any business.
Job insecurity is a very real factor. The threat of unemployment hangs over a large proportion of the workforce. Redundancies, and businesses going out of business are very common problems to be faced by a huge number of people.
High levels of unemployment can be used as a very successful strategy for keeping salary costs as low as possible within an organisation. The weakening of trade unions that has taken place since the 1970's combined with the large pool of available labour, make demands for higher salaries far less likely to succeed. Trade unions have lost their bargening power. Individuals have act for themselves, and a common attitude of employers is that if the employee does not like the job, they do not have to keep it. A shortage of jobs means that somebody else will probably be keen to take the job at an even lower salary.

Extended Hours of Operation

The proportion of businesses in operation outside of the normal nine to five hours of business has increased dramatically in recent years. Working for an excessive number of hours of the day, or the unnatural overnight session has serious implications on health and safety factors (Moore-Ede, 1993). The human body is not geared up to function over these kind of times, and the resulting fatigue results in degradation of concentration and performance.
The increase in times of operation of many businesses has introduced a large number of shift working positions. These generally pay higher rates than the normal nine-to-five type positions due to the inconvienient

hours and stress caused by shift changes from week to week. An employee is often on the early shift one week, and then the late shift the next week. This changeover in hours can often be difficult to adjust to. The higer pay often associated with these positions makes people willing to take them, despite all the problems caused by the hours which go with them.

Effects on the People in the Organisation

These pressures on, and changes within organisations have implications for the people working within them. Feeling insecure about whether or not they are going to lose their job, having to work longer and unnatural hours, for little or no extra pay, has undesirable effects on the morale and performance of the staff. This reduces the capability of the organisation to function to its full potential.

Coping with the Changes

In order to successfully survive in the volatile conditions which currently exist, an organisation has to find some way of adapting to meet the challenges which does not adversely affect the operation of it. Some models are discussed below.

The Doughnut Model

In response to the pressures on it, organisations have, in many cases become less structured, and many functions which used to be performed by sections within the organisation have been contracted out. An enterprise has become leaner, with much reduction in redundancy within it, and many key technical activities are now being performed by outside service organisations or contractors. A large proportion of the staff that have been shed, have in general been what is termed middle-management. These are people with a good number of years experience, and, as the term implies, in between the senior management and the lower levels, consisting of trainees, the inexperienced and less competant who are not capable of performing very complex tasks. Their function was considered less important than the lower levels, on the front line, and the higher levels where the strategic plans are made.
So, what is the function of middle-management, and what is lost in getting rid of them? They provide a channel of communication between the lower ranks and the senior management. Information obtained by them from lower down the hierarchy can be analysed and filtered by them and then passed on up the hierarchy. Performing this function correctly, means that the high level decisions can be made based on the relevant information, received in the correct format. The procesing and analysing of the information does not have to done by the senior management. Replacing middle managers by the less experienced results in the loss of huge amounts of experience. To be a good manager, one must have had several years of experience.
Information Technology is one of the functions which has been outsourced in many cases. The increasing importance of the use of information technology in nearly all departments has lead to considerable dependance on it. Information used correctly can give a company the competitive advantage needed to succeed. This is therefore a resource which should be kept tightly under control. Relinquishing it to outside agencies is a very stupid thing to do.
This approach is termed the doughnut model, due to the fact that it can be illustrated diagramatically by two concentric circles, thus having the appearance of a doughnut. This is believed to make the organisation more efficient and flexible, however, there are downsides to this approach. The lost redundancy within the organisation can be the loss of the slack within it which could have saved it from failure under some instance of pressure. Being under-resourced on technical staff and departments, only calling in external resources when needed, does not leave scope for research and development projects taking place within those departments during periods of lower demand on them. Undoubtedly, the most widely used computer

operating system in the computing industry to-day is Unix. This was developed at Bell Laboratories in just such a situation. The Multics project, which was a large project involving Bell Laboratories, General Electric and some universities had just come to an end. Staff in the computer section at Bell Laboratories, who had been involved in the project, found themselves with little on the go at the time, and also had spare computer equipment available (and in those days, the late 1960's, computers were extremely rare and expensive items of equipment). They set about using their time and this Digital Equipment Corporation PDP 7 computer, to write a new operating system, originally called Unics, which has now become what we all know as Unix. A similar situation to-day, would result in Ken Thompson and Dennis Ritchie losing their jobs, and the DEC PDP being sold to liquidate the capital being tied up in physical assets in excess of current requirements.

Classic examples of where splitting up and contracting out have led to serious problems are British Rail and British Gas. Problems are resulting from the loss of co-ordination and lack of control over important subfunctions vital to the operation of the overall enterprise. The separating of the running of the trains and the operation of the stations and rail system is leading to enormous problems. In many instances conditions of tracks have fallen well below levels which are acceptable from a safety point of view. Separating the meter reading and billing functions from the central operation of the supply of gas in British Gas has caused problems. The meter reading section has been increasingly using temporary staff for this function. This has led to a serious lack of control over this fundamental activity. "The Gasman" who comes to read the meter is a high profile figure, since he has more contact with the public than most other people in the organisation, and therefore has a significant influence on the public image of the company. The billing function has been centralised in Newcastle, and many regional offices done away with. This centralised facility has had difficulty in coping with the large task of processing all of the account information for the whole of the customer base. This situation has led to a large amount of bad publicity for British Gas, with late and inaccurate bills, and the situation where large numbers of customers were sent final demands before receiving a bill. People who were not gas customers were even sent bills and final demands, sometimes for amounts of zero.

A recent Dispatches program on Channel 4 revealed serious problems which have been occurring in hospitals due to the use of temporary nursing staff. The use of short term staff lacking sufficient knowledge of procedures and individual patient details is leading to a large number of undesirable situations, including the death of a number of patients. There are many different types of wards in hospitals, each dealing with a different type of specialisation, for example surgical wards, geriatric wards and so on. Nursing staff cannot be expected to be able to handle the specific aspects of all the different types of areas. They are generally specialists in a particular type of patient care. Working on the same ward they get to know the patients there, and become familiar with their individual requirements and problems. The temporary staff are just moved around and used in whatever type of ward there is a need at the time, for a short period of time. They therefore are often involved in tasks that are unfamiliar to them, and are not able to get to know the patients very well. They are nowhere as dedicated to the task as full-time, long-term staff. This leads to the very serious drop in the levels of care which were highlighted in the programme. Full time permanent nursing staff are a much better option.

Contract staff in general will never be as loyal to their place of temporary employment. For a start they know that they do not really belong there, it is only temporary, and also they will have split loyalties, between where they are working and the agency that they are working through.

The permanent staff, the core of the doughnut, often resent the fact that the contract staff are paid much higher wages than them for doing exactly the same job. It is a fact that the hourly rate of contract staff is much higher than people in permanent positions doing the same or similar jobs. This has got to do with the fact that they have to make up for the fact that they are only paid for the hours that they work, there is no pay for holiday or sick leave, and that there is the insecurity of not knowing exactly how long the job will last, contracts are normally for short periods, and keep being extended again and again for a succession of further short periods, and they never know how long it will be before they find another job when the current one terminates. However, the permanent staff, see it from the angle that someone doing a similar job, and

probably knowing less about the job due to the fact that they have not been there as long, is being paid far more, often more than twice as much. The effect is an erosion of staff morale and loyalty.
This model does have serious problems in the area of staff morale and loyalties.
In conclusion on the topic of the doughnut organisation concept, large, hierarchically structured, multi-functional organisations, have many advantages over the lean, flat organisation which outsources most of its activities. It has more control over its activities, the staff are more likely to be more loyal and motivated, and it will have some internal strength of resources should a sudden demand arise.

The Learning Organisation

Senge (1990) describes the concept of a learning organisation. The principle of using systems thinking in order to take the approach of considering the overall system is described. An organisation cannot be considered in isolation, its interactions, effects on, and effects on it of its environment must be taken into account. The structure of relationships must be taken into account. Through this effects of actions can be modelled over a period of time. This ability of the systems thinking model to show the effects of individual actions on other parts of the system over a period of time is a major strength of it.
As the name implies, the concept is based on the principle of the organisation learning. This means that the organisation must modify its behaviour by learning to act differently based on feedback received. The learning, is of course, actually done by the individuals within the organisation. It is their individual actions that will determine the actions of the organisation as a whole. An employee in the organisation must not only consider themselves in terms of their job. They need to consider and understand their role in the overall mission of the organisation, and come to realise how their actions can help to achieve the required goals.
Can a doughnut model organisation be a learning organisation? It is unlikely that it can. The learning organisation requires a dedicated and stable staff compliment, which is not catered for in the doughnut model.

Case Study: High Staff Turnover at Cambridge Cable Ltd

For the year of 1996, staff turnover at Cambridge Cable was in the region of 33%. The headcount at start of 1996 was 489, and at end of 1996 it was 462.
The turnover has a diluting effect on the experience and skills of the company. Having a high proportion of new people in many of the positions makes it more difficult for everyone to perform their tasks well. This is a high contributing factor to the low general level of staff morale within the company.
Several people have recently been made redundant. As is usual with this type of practice, those who were targeted were the middle management, the people with a larger number of years experience, and reasonable levels of competance and skills. They were targeted due to the higher salaries which they commanded, and were replaced by the younger, inexperienced staff previously working under them. This has in many cases been an application of what is known as “The Peter Principle” - promoting someone beyond their level of ability. This has further contributed to the staff morale problem, thus exacerbating the exodus of staff.
The fact that salaries is the largest operating expense has been mentioned at company briefings, and is generally a major concern. A company briefing made a note of the fact that salary expenses were kept level over the two years 1995 and 1996. What was not explicitly mentioned to the staff was the fact that the amount paid out by the company had actually dropped. The total salary bill for 1996 was less than for 1995. The 1995 total was £8 762 000, and for 1996 it was £7 960 000. The high staff turnover has been an important factor which has allowed this saving to be made. There has been a reduction in staff numbers due to vacancies not being filled in a hurry, as well as a number of people being made redundant. On top of this the policy of recruitment from the ranks of the unemployed has a enabled the company to take on people at lower than normal wages.

The staff turnover does a very good job of keeping the salary bill down. People doing the same job for a long period of time get better at it, and therefore expect to be rewarded for their improved capabilities. If they are not rewarded in the way that they expect, an increase in salary, they are likely to look elsewhere for a better offer. If they succeed in finding one, they leave, and can be replaced by someone less experienced, who will accept a low salary.

Conclusion

Cost is the main factor influencing staffing policy. The people in the company are the company's biggest asset, and economising heavily on this aspect of the company is truly false economy. The company could probably do much better with a staffing policy which aimed at attracting and keeping experienced and competent staff. This would give the company a far better competitive advantage, which would be likely to reduce the problem of customer churn which currently concerns the senior management. However, the current policy and practice of staffing is highly successful in achieving the goal of keeping salary costs as low as possible.

References

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